

SUPERANNUATION FUND COMMITTEE

Friday, 13 March, 2020

10.00 am

**Council Chamber, Sessions House, County Hall,
Maidstone**





AGENDA

SUPERANNUATION FUND COMMITTEE

Friday, 13 March, 2020 at 10.00 am
Council Chamber, Sessions House,
County Hall, Maidstone

Ask for: **Theresa Grayell**
Telephone: **03000 416172**

Membership

Conservative (8):	Mr C Simkins (Chairman), Mr P V Barrington-King, Mr P J Homewood, Mr J P McInroy and Mr J Wright	Mr N J D Chard (Vice-Chairman), Mr P Bartlett, Mr P C Cooper,
Liberal Democrat (1)	Mr D S Daley	
District Council (3)	Cllr J Burden, Cllr P Clokie and Cllr N Eden-Green	
Medway Council (1)	Cllr S Tranter	
Kent Active Retirement Fellowship (2)	Mrs M Wiggins and Mr D Coupland	
UNISON (1)	Mr J Parsons	
Staff Representative (1)	Vacancy	

Please note that the unrestricted part of this meeting may be filmed by any member of the public or press present.

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UNRESTRICTED ITEMS

(During these items the meeting is likely to be open to the public)

- 1 Apologies and Substitutes
- 2 Declarations of interest by Members in items on the agenda for this meeting.
- 3 Minutes of the meeting held on 7 February 2020 (Pages 1 - 8)
- 4 Internal Audit Action Plan update (verbal)

- 5 Future committee work programme (Pages 9 - 12)
- 6 Report from the Pension Board meeting on 26 February 2020 (verbal)
- 7 Pension Fund Business Plan (Pages 13 - 22)
- 8 ACCESS update (Pages 23 - 34)
- 9 Fund Employer Matters (Pages 35 - 48)
- 10 Fund Position (Pages 49 - 58)
- 11 Date of next meeting
The next meeting of the committee will be held on Friday 19 June 2020 at 10.00am

Motion to exclude the press and public for exempt business

That under Section 100A of the Local Government Act 1972 the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act.

Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information)

EXEMPT ITEMS

(During these items the meeting is likely NOT to be open to the press and public)

- 12 Pension Fund Risk Register (Pages 59 - 66)
- 13 Baillie Gifford presentation
- 14 Equity Protection Strategy Proposals (Pages 67 - 94)
- 15 Legal Update re Woodford (verbal)
- 16 Investment Strategy (Pages 95 - 154)
- 17 Responsible Investment (RI) / Environmental Social and Governance (ESG) policy (Pages 155 - 162)

Benjamin Watts
General Counsel
03000 416814

Thursday, 5 March 2020

In accordance with the current arrangements for meetings, representatives of the Managers have been given notice of the meeting and will be in attendance for their items.

KENT COUNTY COUNCIL

SUPERANNUATION FUND COMMITTEE

MINUTES of a meeting of the Superannuation Fund Committee held in the Council Chamber, Sessions House, County Hall, Maidstone on Friday, 7 February 2020.

PRESENT: Mr C Simkins (Chairman), Mr N J D Chard (Vice-Chairman), Mr P V Barrington-King, Mr P Bartlett, Cllr P Clokie, OBE, Mr P C Cooper, Mr D Coupland, Mr D S Daley, Cllr N Eden-Green, Mr P J Homewood, Mr J P McInroy, Mr J Parsons, Cllr S Tranter, Mrs M Wiggins and Mr J Wright.

ALSO PRESENT: Mrs M E Crabtree, Mr P W A Lake, Mr P J Oakford and Ms C Arbuckle

IN ATTENDANCE: Mr B Watts (General Counsel), Ms Z Cooke (Corporate Director of Finance), Mrs A Mings (Treasury and Investments Manager) and Miss T A Grayell (Democratic Services Officer).

UNRESTRICTED ITEMS

171. Apologies and Substitutes

(Item 1)

Apologies for absence had been received from Cllr J Burden.

There were no substitutes.

172. Declarations of interest by Members in items on the agenda for this meeting.

(Item 2)

Mrs M Crabtree declared a disclosable pecuniary interest as part of her pension fund was invested with Woodford and said she would leave the meeting room during the Woodford update item.

Mr P J Oakford declared that he had pension funds with two oil companies and that he would take no part in any decision about the Environmental Social and Governance (ESG) items later in the agenda.

173. Future meeting dates - 2020/21

(Item 3)

The committee NOTED that the following dates had been reserved for its meetings in 2020/21:

13 March 2020
19 June 2020
4 September 2020
13 November 2020
5 February 2021
12 March 2021 and
18 June 2021

with all meetings commencing at 10.00 am at County Hall, Maidstone.

174. Minutes of the meeting held on 15 November 2019

(Item 4)

It was RESOLVED that the minutes of the meeting held on 15 November 2019 are correctly recorded and they be signed by the Chairman. There were no matters arising.

175. Verbal Update on Audit Review Action Plan

(Item 5)

1. Ms Z Cooke, Corporate Director of Finance, gave a brief verbal update on the preparation of an action plan arising from the recent audit review of the Pension Fund's governance. A fuller update on the action plan and an annual work programme would be submitted to the committee at its March meeting with a substantive item following in June. The action plan included 16 points, some of which had already been implemented.
2. The Chairman commented that the briefing session for Members held on 10 January had been most helpful and asked that the committee be advised at every meeting of progress on the action plan.

176. Motion to exclude the press and public for exempt items

It was RESOLVED that, under Section 100A of the Local Government Act 1972, the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of part 1 of Schedule 12A of the Act.

EXEMPT ITEMS

(Summary of minute 177, where access to that minute remains restricted. Open access to minutes 178 and 179)

177. Woodford investment update

(Item 6)

Mrs M Crabtree, Deputy Cabinet Member for Finance, Corporate and Traded Services, left the meeting room during this item as she had previously declared a disclosable pecuniary interest.

Since the publication of the main agenda, an exempt supplementary paper had been published, giving more detail than had been available at the time of writing the report.

1. Mrs A Mings, Treasury and Investments Manager, advised the committee that the expected sum (£138.9m) had been refunded to the County Council at the end of January and had been used to invest in a multi-asset credit fund, as planned. In response to the additional information supplied by Link and circulated to Members in the supplementary report, the County Council as the administering authority had requested further information from them and was awaiting a reply. The Woodford Equity Income Fund (WEIF) was now being managed by BlackRock and PJT Partners.
2. The committee made the following comments:-

- a) the overall performance of the pension fund's investments over the years had been good, and the decisions taken by the committee generally successful. The committee was in agreement that this positive overall performance should be emphasised in any communications;
- b) the Council's Press Office had been most helpful with circulating the positive message that the committee had wanted to relay to scheme members to reassure them that their pension payments would not be affected by the winding up of the WEIF; and
- e) the committee was mindful that many smaller investors would not be in the same position as the Pension Fund and able to offset the poor performance of the WEIF against other well-performing investments.

3. Mr Watts advised the committee of the rules and duties relating to the publication of information relating to the Pension Fund's investment in the WEIF and assured them that he and the S151 officer would manage this issue. He then responded to questions and comments from the committee, including the following:-

- a) the possibility was highlighted that a Treasury Select Committee might also wish to look into the events surrounding the suspension of trading in the WEIF, with the County Council, as the administering authority, giving evidence; and
- b) it was important for the Council as the administering authority to consider its next move carefully, and fully consider all advice. Mr Watts was asked to provide a written report to the committee's 13 March meeting setting out in full the options for future action.

4. It was RESOLVED that the information set out in the update report and supplementary report and given in response to comments and questions be noted, with thanks, and that a report setting out fully the options for future action be made to the committee's March meeting.

178. Equity Protection update

The Chairman advised the committee that the first meeting of the Equity Protection working group had included a good discussion and had agreed a draft Strategy. A more detailed report would be made to the committee's March meeting which would seek support for the proposed Strategy and approval for a formal delegation to the working group to select a programme provider. Committee members would subsequently be advised of the provider selected and would have the opportunity to comment.

179. Sarasin - presentation

(Item 7)

Jeremy Thomas and Henry Boucher, Managers, Sarasin and Partners LLP, were in attendance for this item at the invitation of the committee.

1. The Chairman welcomed Mr Thomas and Mr Boucher to the meeting and thanked them for attending.

2. Mr Boucher and Mr Thomas updated the committee on the performance of the global equity portfolio since last reporting to the committee in November 2018. This good performance was largely due to good stock selection. They set out the three-stage investment process - identification of themes, stock selection and building a portfolio, including detailed analysis and voting on potential companies – a process which took between three and six months, typically. They explained how Environmental, Social and Governance (ESG) issues had been fully integrated into their portfolio.
3. Mr Boucher and Mr Thomas then answered questions of detail from the committee, covering the fees they charged, the nature of Sarasin as a company run by its partners with a principle of discussion and voting on decisions, the difficulty of transitioning from fossil fuels to renewable forms of energy, and the need to take a long-term view while keeping abreast of fast-changing trends in the renewable energy industry.
4. Members noted the good overall performance of the portfolio and the good record of the company in investments which supported ESG considerations. Members asked that the total expense ratio (TER) be included in the metrics for future reports.
5. It was RESOLVED that the information set out in the presentation and given in response to comments and questions be noted, with thanks and that the total expense ratio be included in the metrics for future reports.

UNRESTRICTED ITEMS

(meeting re-opens to the press and public)

180. Responsible Investment (RI) / Environmental, Social and Governance (ESG) policy *(Item 8)*

1. Catrina Arbuckle (Director, Mercer Ltd) introduced the set of slides which had been published as part of the agenda. She advised the committee that it was being asked to review the Fund's Responsible Investment policy and if they wished to change it.
2. Ms Arbuckle highlighted the importance of stewardship and the need to be proactive in checking that fund managers were taking full account of ESG issues in their investment decisions. The Scheme Advisory Board was also currently consulting on its responsible investment guidance, which would be more prescriptive in future.
3. Ms Arbuckle advised that Kent was ahead of the curve as it had a Statement of Responsible Ownership (SRO) and was a signatory to the UN principles for responsible investment (UNPRI). It would be able to evidence its approach, for example if asked to as part of a Freedom of Information request. She also advised that Mercer were able to prepare carbon footprints for each of the Fund's investment managers if required.
4. Members made the following comments:-
 - a) the Kent Fund already followed good practice with its approach to ESG and RI but would need to be able to demonstrate publicly what it did and how, for example, it measured its individual investment managers' performance in terms of ESG and RI. It would help if there were accreditations which could be applied to individual investment managers to reassure the public of their ESG credentials. Ms Arbuckle advised that there was no universal system although Mercer had its own rating scale, from ESG1 to ESG4;

- b) although most attention was usually given to the Environmental part of ESG, all elements were equally important in showing the whole picture. Good governance was particularly important;
- c) to avoid any accusation of 'tokenism', the committee would need to develop a good understanding of ESG issues so it would be well placed to question investment managers and make sound judgements on their investment decisions;
- d) the government was moving to introduce a requirement in the Mandatory Disclosure Regulations 2020 (due to take effect on 1 July 2020) that fund managers disclose the total expense ratio (TER). The Brydon independent review of the quality and effectiveness of auditors would also add to the governance requirements;
- e) pension funds needed to achieve a balance between embracing ethical investment and maximising the return on investment to benefit pensioners;
- f) investment managers should be given a checklist of ESG requirements and could be sent a standard set of questions about their ESG credentials before attending to present to the committee; and
- g) Ms Arbuckle suggested that the Fund's RI policy could take account of Mercer's ratings and Members may want for example, to resolve not to invest in any company scoring lower than ESG3.

5. Ms Arbuckle proposed that the Fund write to all its investment managers asking how they planned to respond to the updated stewardship code. The committee could then make it known that it would favour those companies who showed the best awareness of the code and had a plan of how to respond to it.

6. The Chairman summed up the actions agreed as follows:-

- a) the SRO be updated to express more clearly the Fund's policy on Responsible Investing and the importance of RI; and
- b) a press release be prepared by the Council's press office to show how the Pension Fund was engaging with ESG issues, and the text of this would be shared with the committee for comments.

7. It was RESOLVED that:-

- a) the Statement of Responsible Ownership be updated to express more clearly the Fund's policy on Responsible Investing. A draft policy will be prepared and presented at the next committee;
- b) the policy make clear the importance of Environmental, Social and Governance issues and Responsible Investment;
- c) a press release be prepared with the County Council's press office to show the public how the Kent Pension Fund was engaging with Environmental,

Social and Governance issues, and the text of this be shared with the committee for comments; and

- d) officers follow up with Mercer to find out more information about the carbon footprint reporting they could provide and report back to Committee.

181. Date of next meeting

(Item 9)

It was noted that the next meeting of the committee would be held on Friday 13 March 2020, commencing at 10.00 am.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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By: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 13 March 2020

Subject: **FUTURE COMMITTEE WORK PROGRAMME**

Classification: Unrestricted

Summary: To report on the proposed committee work programme

FOR DECISION

INTRODUCTION

1. One of the actions agreed following the Internal Audit review was to update the Committee's work programme to ensure sufficient time is made available for the development and implementation of the Fund's investment strategy, for members to gain a full understanding of the Fund's key policies, as well as for consideration of governance matters and training.

PROPOSED COMMITTEE WORK PROGRAMME

2. It is therefore proposed that:
 - a) The committee meeting pattern remains as at present ie 4 quarterly meetings plus 1 extra, and that one manager is invited to present to each meeting.
 - b) Each committee meeting be extended up to 2.30pm including lunch and that the order of each meeting changes with unrestricted items in particular re governance issues being taken first.
 - c) All committee members be invited to attend quarterly meetings with the Fund's investment managers. These meetings to take place either at County Hall or at a manager's office in London and that the committee meets up to 3 managers during the day. In addition, members be invited to attend the ACCESS 6 monthly investor days.
 - d) Additional meetings be organised perhaps jointly with members of the Pension Board to cover specific issues and training requirements including relating to the Fund's key policies.

- e) Short training sessions to take place either during or immediately before the start of committee meetings.
3. Details of the matters to be covered at future committee meetings are set out in appendix 1.

RECOMMENDATION

4. Members are asked to agree the revised work programme.

Alison Mings
Treasury and Investments Manager
Alison.mings@kent.gov.uk

Proposed matters for consideration at future committee meetings

Committee meetings	13-Mar-20	19-Jun-20	04-Sep-20	13-Nov-20	05-Feb-21	12-Mar-21
Internal Audit action plan update	Y	Y	Y	Y		
Committee work programme – for agreement	Y					
Report from the Pensions Board meeting	Y	Y	Y	Y		Y
Pension Fund Business plan and budget update	Y	Y		Y		Y
ACCESS update	Y	Y	Y	Y		Y
Employer and governance matters	Y	Y	Y	Y		Y
Pensions admin half year update		Y		Y		
Fund Position - review the asset allocation	Y	Y	Y	Y		Y
Risk register	Y	Y	Y	Y		Y
Manager presentation	Baillie Gifford	Schroder	tbc	tbc	tbc	tbc
Equity protection proposals / review	Y	Y				
Legal and fund update re Woodford	Y					
Investment Strategy incl Mercer quarterly manager review	Y	Y	Y	Y		Y
RI policy – review	Y		Y			Y
Review the Fund's report and accounts			Y			
Agree the Fund's policies			Y			
Training	Y	Y	Y	Y	Y	Y

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By: Corporate Director of Finance
 To: Superannuation Fund Committee 13 March 2020
 Subject: **Pension Fund Business Plan**
 Classification: Unrestricted

Summary: To advise the Superannuation Fund Committee of the revised business plan and related budget.

FOR DECISION

INTRODUCTION

1. At its meeting in September the Committee noted the 2019-20 business plan for the Fund produced by the KCC finance team and the expenditure identified as being necessary to implement the plan during 2019-20.
2. The Committee is now asked to agree the updated business plan including anticipated activity in 2020-21 and the budget required to deliver the plan in 2019-20 and 2020-21.
3. At its meeting on 26 February 2020 the Pensions Board noted the business plan and budget.

UPDATED BUSINESS PLAN

4. The Fund's business plan has been updated to reflect progress made in 2019-20 and anticipated activity in 2020-21, see attached at appendix 1.

2019-20 FORECAST AND 2020-21 ESTIMATE

5. Officers forecast that the expenditure required to implement the business plan during 2019-20 totals £4.5m (budget £4.4m) and increases to £4.7m in 2020-21 as per the table below.
6. The higher costs forecast for 2019-20 mainly relate to higher investment consultancy fees due to the engagement of Mercer to provide advice to the Fund on the implementation of the investment strategy in particular the equity downside protection programme. This increase is partially offset by lower legal fees due to a reduced number of new admission bodies in the Fund as well as lower ACCESS pooling costs and other professional fees.
7. In 2020-21 it is anticipated that the resources required to deliver the business plan costs will rise mainly due to the need to take into account the SAB Good Governance recommendations, the Pensions Regulator's guidance and the recommendations of the Internal Audit review.

8. In particular staff costs relating to the investment accounting and oversight function are forecast to be higher as additional resources are expected to be recruited to support the Fund. The Fund will also have to pay for the procurement of external governance consultancy to support these changes and to provide training for both the committee and board.

Pension Fund Management Costs

	2019-20 budget	Forecast 2019-20	Overspend / underspend 2019-20	Forecast 2020-21
	£	£	£	£
Pensions Administration	3,345,000	3,345,000	-	3,411,900
Pension Payroll Services	221,542	221,542	-	225,973
Payment services	17,000	17,000	-	17,340
Financial Services	67,000	67,000	-	68,340
Administration Expenses	3,650,542	3,650,542	0	3,723,553
Actuarial Fee including cost of valuation	300,000	300,000	-	260,000
Legal Fees	125,000	114,000	-11,000	125,000
Direct recovery of actuary, legal fees and admin costs	-250,000	-250,000	-	-225,000
Subscriptions	46,000	40,000	-6,000	46,000
ACCESS pooling costs	110,000	100,000	-10,000	100,000
Investment Accounting and Oversight costs	285,700	285,700	-	400,000
Performance Measurement Fees	30,000	10,000	-20,000	10,000
Investment Consultancy	50,000	177,800	127,800	160,000
Governance consultancy				50,000
Other professional advice	20,000	20,000	-	20,000
Governance and Oversight Expenses	716,700	797,500	80,800	946,000
Audit fee	24,000	24,000	-	24,000
Total	4,391,242	4,472,042	80,800	4,693,553

RECOMMENDATION

9. The Committee is recommended to agree the updated Business Plan and the related budget for 2019-20 and 2020-21.

Alison Mings

Treasury and Investments Manager

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Kent Pension Fund Business Plan

Action No.	Description	Accountable Officer(s)	Completed 2019-20	Anticipated 2020-21
1.	Investment Strategy			
1.1	Implement the revised asset allocation agreed by Superannuation Fund Committee on 9 February 2018.	(Nick Vickers) / Zena Cooke / Alison Mings	MAC investments (M&G and CQS) funded, Equity downside protection project in progress Additional commitments to Harbourvest and Partners Group Funds as per planned schedule	Implementation of the equity downside protection programme Funding of private equity / infrastructure investments
1.2	Manage the transition of investments including to the ACCESS pooled funds	Alison Mings / Sangeeta Surana	Ruffer Absolute Return fund transitioned December 2019.	Global Value Equity fund transition planned June 2020
1.3	Report to the Superannuation Fund Committee on new investment options.	(Nick Vickers) / Zena Cooke / Alison Mings	Ongoing.	Ongoing.
1.4	Monitoring the performance of investment managers and funds.	(Nick Vickers) / Zena Cooke / Alison Mings / Sangeeta Surana	Mercer attending every committee meeting. Providing quarterly manager reviews Quarterly performance reporting to Committee undertaken by officers	Mercer attending very committee meeting. Providing quarterly manager reviews Quarterly performance reporting to Committee undertaken by officers
1.5	Support the Superannuation Fund Committee and the Pension Board members to effectively undertake their roles and ensure that appropriate training is available.	(Nick Vickers) / Zena Cooke / Alison Mings	Nick Vickers left KCC end December 2019. Role of business partner being covered by Alison Mings. Pensions board now meeting 4 times a year Committee work programme	Implementation of revised committee work programme Planned procurement of external governance training provider

			including training developed	
1.6	Develop enhanced RI / ESG policy / reporting	Alison Mings / Sangeeta Surana / Katherine Gray	Committee considered the policy at 7 February meeting. Draft revised policy to be reviewed at 13 March meeting	Agreement of revised policy and implementation of reporting required
3.6	Update investment strategy statement reflecting CIPFA guidance and best practice	Alison Mings / Sangeeta Surana		ISS to be updated with assistance from the investment consultant
1.7	Investment Consultant procurement	Sangeeta Surana	Business case prepared for procurement. Procurement process at planning stage.	Undertake procurement for long term contract for investment advice to the committee
1.8	Review of asset allocation taking account of results of the 2019 valuation	Zena Cooke / Alison Mings / Sangeeta Surana		Engage investment consultant
1.9	Custody contract	Sangeeta Surana / Katherine Gray		Current contract expires 1/11/20, procurement using LGPS frameworks
2.	ACCESS Pool			
2.1	Support the Chairman in his role on the Joint Committee.	Alison Mings	Ongoing	Ongoing
2.2	Membership of the Officer working group (OWG) Participate in working groups to set up ACCESS ACS sub-funds and other CIVs as required for pooling alternative assets	Alison Mings / Sangeeta Surana	<p>Launch of ACS sub-funds</p> <p>Proposals for alternative assets platform under development. OWG to review 20 Feb 2020</p> <p>Set up reporting framework</p> <p>Establishment of S151 group</p> <p>Complete review of IAA review</p> <p>Review operational issues with</p>	<p>Selection of fund managers, set up and launch of ACS sub-funds</p> <p>Finalisation of arrangements for alternative assets platform</p> <p>Finalisation of reporting framework</p>

			Link and fund managers	
2.3	Support the role of host authority and ASU - business planning - budget - ASU technical lead	Alison Mings / Sangeeta Surana	Role of host authority transferred to Essex CC June 2019. Alison Mings stood down as technical lead Kent democratic services continuing to provide clerk to the Joint Committee	Transfer of clerking role to Essex CC
2.4	Ensure the Superannuation Fund Committee is kept fully informed on ACCESS issues.	Alison Mings	Ongoing, committee and board receive quarterly updates	Ongoing

4.	Administration			
4.1	Roll out i-Connect employer self service	Barbara Cheatle	i-Connect initially rolled out to 60 employers with information being received on a monthly basis	Further roll out to large payrolls, including KCC and Medway. Presentation to other large employers, such as district councils, colleges etc in preparation for extension of roll out
4.2	Preparation of annual benefit illustrations for despatch to members by the statutory deadline	Barbara Cheatle	99% of scheme members received annual benefit illustration by statutory deadline	Ongoing
4.3	Reduce the backlog of unprocessed leaver cases	Barbara Cheatle	Contracts with 2 external companies, together with employment of temporary workers, cleared approximately 7200 cases. Further project to be initiated. Business case prepared for procurement. Procurement process at planning stage	Procurement of a company using the LGPS framework in order to further reduce backlog cases.
4.4	Follow up GMP reconciliation exercise	Barbara Cheatle	Matching of data between pensions database and HMRC records and reconciliation carried out.	Stage 2 of reconciliation to be completed. Stage 3 of project will require Procurement of a company using the LGPS

Appendix 1

				framework
4.5	Develop plan for introducing member Self Service	Barbara Cheatle	Engagement with Heywoods to initialise project	MSS available and communicated to various categories of scheme members throughout the year
4.6	Development of workflow system	Barbara Cheatle		Review

3.	Other			
3.1	Prepare the Fund's 2019 accounts and report including compliance with cost transparency requirements and with revised reporting guidelines	Sangeeta Surana / Katherine Gray	Accounts completed on time with clean audit report	Accounts completion planned for July 2020
3.2	Implement changes proposed in recent MHCLG consultations including Fair Deal	Alison Mings	Still awaiting confirmation of further pooling consultation. ACCESS response to RI consultation Jan 2020. Other LGPS changes on hold	Changes to be implemented as required
3.3	Complete the March 2019 LGPS triennial valuation and communicate revised employer contribution rates	Barnett Waddingham Alison Mings / Steve Tagg / Barbara Cheatle	Funding level improved to 98%. Results communicated to employers. Due for sign off 31 March 2020	Revised employer rates to be implemented 1 April 2020
3.4	Update Funding strategy statement	Alison Mings / Steve Tagg		Update FSS with assistance from Barnett Waddingham taking account of the valuation results
3.5	Fund actuary contract	Alison Mings / Steve Tagg		Procurement of the fund actuary using the LGPS framework
3.6	Review governance arrangements taking into account internal audit recommendations, SAB good governance recommendation and	Zena Cooke / Alison Mings	Commence review of Pensions Board role. Assess board's training needs	Procure governance advice using LGPS framework. Consultant to review fund policies, current role of the

Appendix 1

	TPR guidance			board and provide training to board and committee members
3.7	Undertake review of finance resources taking into account internal audit recommendations, tPR guidance and good governance review recommendations	Zena Cooke / Alison Mings	Treasury and Investments staff attended a workshop on 5 February. Contributed ideas for the scope of the review	Complete review and create new team / structure / recruitment
3.8	Review and update finance procedures and documentation taking into account internal audit recommendations	Treasury and Investments team		Complete review and update

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By: Corporate Director of Finance
To: Superannuation Fund Committee 13 March 2020
Subject: **ACCESS UPDATE**
Classification: Unrestricted

Summary: To update on the progress of the ACCESS pool

FOR INFORMATION

INTRODUCTION

1. This report is to update the Superannuation Fund Committee on the progress being made with the establishment of the ACCESS pool.

JOINT COMMITTEE

2. The Joint Committee has met since the last update for the Committee and a summary update of their meeting on 9 December 2019 is attached at appendix 1. The Joint Committee (JC) had previously met on 9 September and a copy of the minutes of this meeting is at appendix 2.
3. At the JC meeting on 9 December Councillor Mark Kemp-Gee, chairman of the Hampshire Fund was elected as chair and Councillor Susan Barker of the Essex fund was elected as vice-chair.

GOVERNANCE

4. The timetable for the completion of the review of Inter Authority Agreement (IAA) which covers the governance of the pool including the setup of the Joint Committee, and was signed in 2017, has been revised. Once the review is finalised the revised IAA will be sealed by each authority.
5. Officers and members of the JC received Governance training on 9 December and it is intended that these training resources be made available to the Kent Fund for use with the Committee and Pension Board.

BUSINESS PLAN AND BUDGET

6. On 9 December the Joint Committee agreed to recommend the 2020/21 business plan to ACCESS authorities and accepted the recommended budget of £1.08m (2019/20 £1.02m) required to support the plan. The anticipated cost to the Kent Fund will be £98,000 for 2020/21.
7. During 2020/21 it is anticipated that there will be further pooling of listed assets and the initial implementation of pooled unlisted assets.

8. Further details of the progress being made on the set up of the ACS sub-funds for listed assets and the plans for pooling the unlisted asset classes are included in the Investment Strategy update.

SCHEME MEMBER REPRESENTATION ON THE JOINT COMMITTEE

9. As previously reported following the receipt of correspondence from UNISON requesting representation on the Joint Committee, the Committee at its meeting on 9 September decided not to change the current representation arrangements.
10. The Joint Committee chair and vice chair subsequently wrote to Councillor Roger Phillips, chair of the Scheme Advisory Board (SAB) advising him of the ACCESS position, in response to his letter received in December 2019.

RECOMMENDATION

11. The Committee is recommended to note this report.

Alison Mings

Treasury and Investments Manager

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SUMMARY UPDATE
ACCESS Joint Committee:
9 December 2019



Ten ACCESS Authorities were represented, and the key matters considered are described below.

Part I Item	Details												
Election of Chairman	<p>Current Vice-Chairman Cllr Mark Kemp-Gee (Hampshire), was elected unopposed to fill the vacant position of Chairman of the Joint Committee.</p> <p>This vacancy arose following a reallocation of Cabinet responsibilities at Suffolk CC. The previous Joint Committee Chairman (Cllr Andrew Reid) was given a Cabinet role in October 2019, and local governance arrangements precluded him from continuing his Local Government Pension Scheme Committee responsibilities.</p>												
Election of Vice-Chairman	<p>As a consequence of Cllr Kemp-Gee's election as Chairman, a further election was held for the newly created vacancy for the position of Vice Chairman.</p> <p>Cllr Susan Barker (Essex), was elected unopposed to fill the vacant position of Vice-Chairman of the Joint Committee.</p>												
ACCESS Support Unit (ASU) update	A revised organisational chart of the ASU was noted.												
Governance	<p>The Committee noted that final Monitoring Officer comments on the revised Inter Authority Agreement (IAA) were being addressed. It was now expected that a tracked changes version of the final IAA would be circulated prior to Christmas.</p> <p>It was also noted that a training session on Governance would follow the meeting.</p>												
Business plan & budget	<p>The Committee were updated on progress on the 2019/20 Business Plan along with workstreams undertaken by the ASU. The revised budget forecast, and summary risk profile were noted.</p> <p>A detailed discussion took place on proposals for 2020/21, for which a budget of £1.080m was proposed and the Business Plan contained key themes with the following milestones:</p> <table border="0"> <thead> <tr> <th>Theme</th> <th>Key 2020/21 milestone(s)</th> </tr> </thead> <tbody> <tr> <td>Active listed assets</td> <td>The completion of active listed asset migration via sub-fund tranches 5 & 6</td> </tr> <tr> <td>Passive listed assets</td> <td>Ongoing monitoring & engagement with UBS</td> </tr> <tr> <td>Alternative assets</td> <td>Initial pooling of alternative assets</td> </tr> <tr> <td>Governance</td> <td>The application of appropriate forms of Governance</td> </tr> <tr> <td>ASU</td> <td>The size and scope of the ASU will be reviewed</td> </tr> </tbody> </table>	Theme	Key 2020/21 milestone(s)	Active listed assets	The completion of active listed asset migration via sub-fund tranches 5 & 6	Passive listed assets	Ongoing monitoring & engagement with UBS	Alternative assets	Initial pooling of alternative assets	Governance	The application of appropriate forms of Governance	ASU	The size and scope of the ASU will be reviewed
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Governance	The application of appropriate forms of Governance												
ASU	The size and scope of the ASU will be reviewed												

	<p>Following discussion, the Committee agreed to:</p> <ul style="list-style-type: none"> • recommend the 2020/21 business plan to the ACCESS Authorities; and • accept the recommendation of the s151 Officers of the ACCESS Authorities to determine the 2020/21 budget totalling £1.080m to support the proposed business plan.
Part II Item	Details
Risk Register	The Committee noted the risk register and where appropriate agreed the proposed changes to the ratings of the risks specified.
Sub Fund implementation & development of illiquid	<p>A report updating the Committee on sub fund launches and the future pipeline was noted.</p> <p>The details of progress on tranche 4a sub-fund launches was discussed, and an update was given on the options being explored in establishing a transition capacity within the Authorised Contractual Scheme (ACS).</p> <p>On non-listed / alternative assets the progress on dialogue with consultants bFinance was highlighted and the timetable for reporting to the Committee was noted.</p> <p>The Committee approved the request to Link for a search for an Emerging Markets (EM) equities manager.</p>
Contract Management & supplier relationship update	<p>The Committee noted a report on the Operator contract. This included</p> <ul style="list-style-type: none"> • details of current issues upon which the ASU and colleagues on the Officer Working Group are engaging with Link; • feedback received from attendees at Octobers' Investor Day; and • a current procurement time-table. <p>Details of contract and supplier relationship management arrangements and activity was also included.</p>
MHCLG update	The recently submitted reporting template issued MHCLG reporting template was noted.
Items of interest	It was noted that the Chairman of the Scheme Advisory Board intended to meet the Chairmen of pool Joint Committees (or equivalent pool bodies) in the New Year.
Link presentation	<p>Karl Midl, and James Zealander from Link Fund Solutions gave a presentation.</p> <p>This outlined progress on onboarding sub funds to date and plans for future launches. Key learnings were discussed.</p> <p>Work underway to establish a means of transitioning assets within the ACS was highlighted and discussed.</p> <p>The October Investor Day was also covered.</p>

Next meeting date	9 March 2020
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ACCESS JOINT COMMITTEE

MINUTES of a meeting of the ACCESS Joint Committee held at Committee Room 1 - Islington Town Hall, Upper Street, London N1 2UD on Monday, 9th September, 2019.

PRESENT: Cllr Andrew Reid - Chairman (Suffolk CC), Cllr Paul Brading – substitute (Isle of Wight), Cllr Jonathan Ekins (Northamptonshire CC), Cllr Gerard Fox (East Sussex CC), Cllr Jeremy Hunt (West Sussex CC), Cllr Terry Rogers (Cambridgeshire CC), Cllr Judy Oliver (Norfolk), Cllr Mark Platt – substitute (Essex CC), Cllr Tom Thacker - substitute (Hampshire CC), Cllr Adam Mitchell - substitute (Hertfordshire CC) and Mr Charlie Simpkins – (Kent CC).

ALSO PRESENT: Nicole Wood, Executive Director for Finance and Technology (Essex County Council), representing Section 151 Officers, Clifford Sims (Squire Patton Boggs) and Cllr Ian Gardener (Cambridgeshire CC).

OFFICERS: Nicola Mark (Norfolk), Kevin McDonald (ASU), Jody Evans (Essex) Alison Mings (Kent), Ola Owolabi (East Sussex), Andrew Lowe (Hampshire), Paul Finbow (Suffolk), Mark Paget (ASU) Jo Thistlewood (Isle of Wight), Paul Tysoe (LGSS Pensions), Patrick Towey (Hertfordshire) and Denise Fitch (Kent - Clerk).

UNRESTRICTED ITEMS

147. Apologies/Substitutes.

(Item. 1)

Apologies and substitutes were noted as follows:

Cllr Barker (Essex) – Cllr Platt substitute
Cllr Kemp-Gee (Hampshire) – Cllr Thacker substitute
Cllr Axford (Isle of Wight) – Cllr Brading substitute
Cllr Sangster (Hertfordshire) – Cllr Mitchell substitute

148. Declaration of interests in items on the agenda.

(Item. 2)

No declarations were made.

149. Election of Chairman.

(Item. 3)

(1) Cllr Simkins nominated Cllr Reid, seconded by Cllr Hunt. There were no further nominations.

(2) RESOLVED that Cllr Reid be elected Chairman of the Joint Committee.

150. Minutes of the meeting held on 11 June 2019.

(Item. 4)

(1) Cllr Rogers stated that he had not attended the previous meeting but had been listed as present in the minutes.

(2) RESOLVED that, subject to removing Cllr Rogers name from the list of Members present, the minutes from the meeting held on 11 June 2019 be signed as a true and accurate record.

151. ACCESS Support Unit update.

(Item. 5)

(1) Jo Thistlewood (Isle of Wight) introduced a report which provided an update on developments regarding recruitment to the ACCESS Support Unit (ASU).

(2) Kevin McDonald (ASU) undertook to look at how the reporting structure chart (para 4.1 of the report) could be clarified in line with the points raised by Members.

(3) RESOLVED that the appointment of Kevin McDonald as the interim Director of the ACCESS Support Unit be noted.

152. Scheme Member representation.

(Item. 6)

(1) Kevin McDonald introduced a report on Scheme Member representation which set out the relevant background, UNISON's correspondence, the current local governance and transparency arrangements for each ACCESS fund Section 101 Committee/Local Pension Board and various draft guidance. He commended the work carried out by Mark Whitby (LGSS) on this matter.

(2) The report contained the outcome of consideration by ACCESS Section 151 Officers of a report on Scheme Membership. It was confirmed that the Section 151 Officers were of the view that existing Authority representation on the Joint Committee (via Elected Members) was appropriate and that scheme member and employer involvement in Authorities' discharging their fiduciary duty (including asset pooling) was a matter for each Authority to determine locally. The Section 151 Officers recommended no change be made to the current Joint Committee Scheme arrangements.

(3) The Committee considered the advice from the Section 151 Officers and discussed whether it would be appropriate to make any changes to Scheme Membership in advance of any statutory guidance on this matter.

(4) RESOLVED that the report be noted and no change be made to the current Joint Committee Membership arrangements.

153. Governance update.

(Item. 7)

(1) In introducing the report Nicola Mark (Norfolk) highlighted the extension to the timetable and referred to the recent webinar between ACCESS Monitoring Officers. She stated that there were no significant amendments proposed.

(2) Clifford Sims (Squire Patton Boggs) emphasised the need for all 11 authority Monitoring Officers to be satisfied with the updated IAA prior to it being approved by each authority. The original Inter-Authority Agreement (IAA) did not deal with future procurement of other services, such as procured assets and illiquid assets, therefore the new IAA needed to address these issues. He expressed the view that the current timetable was achievable and it was hoped that the governance sub-group would be able to sign off the draft IAA in mid September, dependant upon the Kent and Essex Monitoring officers being satisfied with the draft.

(3) Nicola explained that the governance working group intended to hold a governance training session for the Joint Committee on 9 December 2019 following the Committee meeting. This training could then form the basis of training information for section 101 Committees and Pension Boards.

(4) RESOLVED that-

a) the updated IAA be shared with Joint Committee Members after it has been reviewed by all Monitoring Officers,

b) if Members have any issues with the shared IAA, they should raise these with their Local Authority's Monitoring Officer and make the Chairman aware.

c) If the Chairman considers any issues raised by Members to be substantial he will require the updated IAA to be submitted to the Joint Committee for approval prior to formal adoption by the constituent authorities

d) if there are no unresolved substantial issues raised by Members, the updated IAA be formally adopted by each of the constituent authorities and reported to the Joint Committee for information.

154. 2019/2020 Business Plan and Budget update.

(Item. 8)

(1) Kevin McDonald introduced a report which updated the Committee on progress with the 2019/20 Business Plan along with the workstreams being undertaken by the ASU. He explained that the forecast spend was currently lower than the original budget which reflected the migration of third party work into the ASU.

(2) RESOLVED that the updated business plan, the ASU workstream progress report and the revised outturn 2019/20 be noted.

155. Motion to Exclude the Press and Public.

(Item. 9)

RESOLVED that under Section 100A of the Local Government Act 1972 the press and public be excluded from the meeting for the following business on the grounds that it involves the likely disclosure of exempt information as defined in paragraphs 3 & 5 of part 1 of Schedule 12A of the Act.

156. Risk Register.

(Item. 10)

(1) Kevin McDonald referred the Committee to the Risk Register and highlighted proposed changes to the risks set out in the report. Officers answered questions and gave an explanation of regulatory and contractual insurance requirements.

RESOLVED that the report be noted and the revisions to the Risk Register as set out in the report be approved.

157. MHCLG meeting update.

(Item. 11)

(1) Kevin McDonald introduced a report which highlighted the positive meeting between ACCESS and civil servants from the Ministry of Housing, Communities and Local Government (MHCLG) which had taken place on 4 July 2019. The report included feedback on ACCESS progress to date and the status of the pending government consultation on revised investment pooling guidance.

(2) RESOLVED that the report and the ongoing dialogue on the Ministry of Housing, Communities and Local Government's reporting template be noted.

158. ACS Implementation update.

(Item. 12)

(1) The Committee received an update report on the progress with launching the Authorised Contractual Scheme (ACS), the sub-funds that would be created within it and the options for pooling illiquid investments.

(2) RESOLVED that;

a) the progress in launching the ACS investment sub-funds and progress in identifying options for pooling illiquid investments be noted;

b) the appointment of investment managers be noted and the resultant additional sub-fund for global equities value strategies be approved.

159. Contract Management update.

(Item. 13)

(1) The Committee considered a report on the Operator contract which included details of current issues upon which the ASU and the Officer Working Group were

engaging with Link. The report also included details of contract and supplier relationship management arrangements and activity.

(2) RESOLVED that the report be noted.

160. LiNK presentation.

(Item. 14)

(1) Karl Midl, Duncan Lowman and James Zealander from Link Fund Solutions gave a presentation. The presentation highlighted progress on onboarding sub funds to date and plans for future launches along with the forthcoming inaugural investor day.

(2) The slides presented by LINK would be circulated to the Committee and a note provided to Members explaining insurance arrangements.

(3) RESOLVED that the presentation be noted.

161. Items for information or advice from the Committee.

(Item. 15)

(1) The Joint Committee discussed the need for ongoing support from Hymans. Members were of the view that Hymans continued support would be welcomed, particularly in light of future pooling guidance. The Committee were of the view that this should be on a “pay as you go” basis.

(2) The Chairman announced that this would be Ola Owolabi’s (East Sussex) last meeting and thanked him for his support to the Joint Committee since its inception.

162. Date of next meeting - 9 December 2019.

(Item. 16)

It was noted that the next meeting of the Joint Committee would be held on 9 December 2019, at 11am in Islington Town Hall.

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By: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 13 March 2020

Subject: **Fund Employer Matters**

Classification: Unrestricted

Summary: To report on employer related matters.

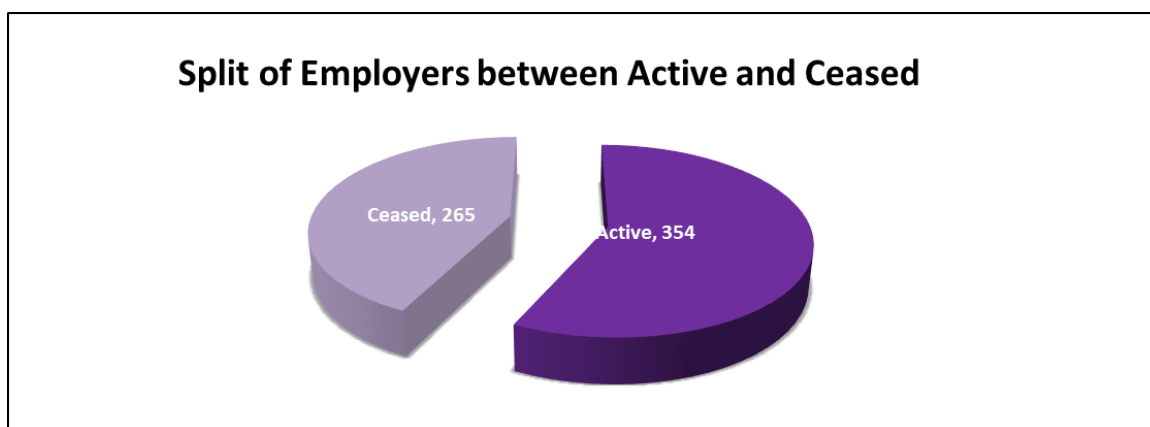
FOR DECISION

INTRODUCTION.

1. This report provides an employer update, sets out information on the 31 March 2019 valuation, an update on the impact of the McCloud judgement and updates on the progress of Hadlow College and West Kent and Ashford College in educational administration.
2. It also sets out information on organisations applying for admission to the Superannuation Fund, several exiting employers and amendments to existing admission agreements. The Committee’s approval is sought to enter into these agreements.
3. The Committee is advised that the minutes are to be signed at the end of today’s meeting to facilitate completion on the desired dates.

EMPLOYER UPDATE

4. There was a total of 619 employers in the Kent Pension Fund at 31 December 2019, an increase of 1 from 30 September 2019.

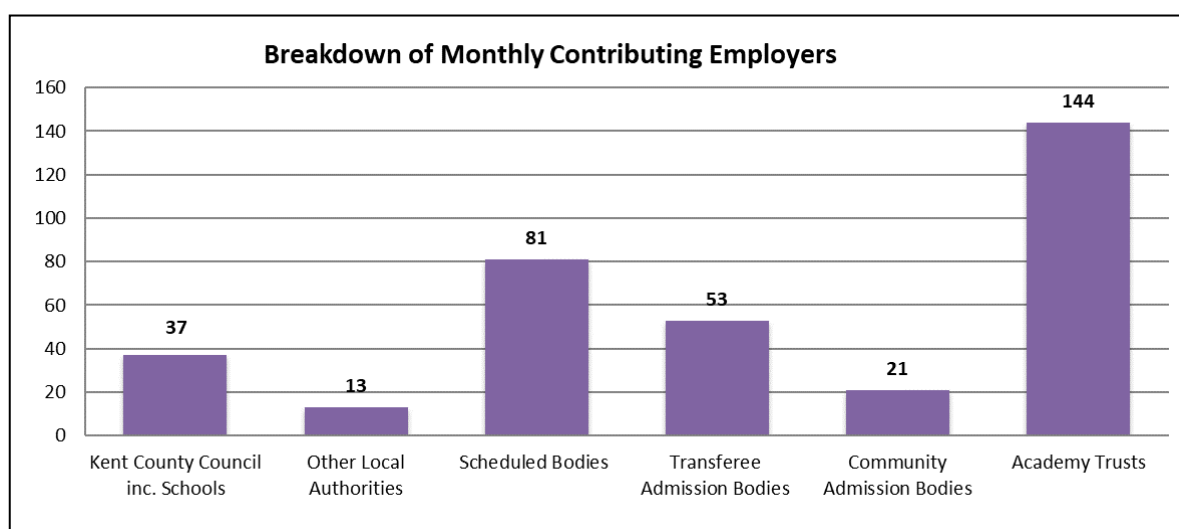


5. The number of active employers regularly paying contributions increased by 2 in the 3 months from the end of September, 2 employers ceased to have active members in the Local Government Pension Scheme (LGPS) and 1 changed their payroll provider to KCC Schools. The ceased employers no longer have active contributing members in the LGPS and the Fund has an existing or future liability to pay any pensions.
6. The following table lists employers which either joined or ceased to have active members in the Fund during the first 9 months of 2019-20. This includes backdated admission agreements.

New Employers	Effective date
<i>Academy Trusts</i>	
Deal Education Alliance for Learning Trust (DEALT)	1 April 2019
Connect Schools Academy Trust	1 July 2019
<i>Admitted Bodies</i>	
Sodexo Ltd (Oasis Community Learning)	1 September 2018
Compass Contract Services (UK) Ltd T/A Chartwells (re KCSP Primary Schools)	1 January 2019
Compass Contract Services (UK) Ltd T/A Chartwells (re KCSP Secondary Schools)	1 January 2019
Deep Beat Entertainment (re Strood Sports Centre)	1 February 2019
Deep Beat Entertainment (re Medway Park)	1 February 2019
PT Commercial Ltd T/A Ecocleen	1 April 2019
Tonbridge & Malling Leisure Trust (Limb C Members) splitting out members from the original admission	1 April 2019
The Contract Dining Company Limited	1 July 2019
Compass Contract Services (UK) Ltd (T/A Chartwells RE Fortis Trust)	1 July 2019
Alliance in Partnership Limited	1 August 2019
<i>Scheduled Bodies</i>	
Swingate School	1 September 2019

Ceased/Merged to Trust Employers	Effective date
Academy Trusts	
Brent Primary School Academy	31 August 2019
Admitted Bodies	
Invicta Telecare T/A Centra Pulse	31 May 2019
Canterbury Archaeological Trust	31 August 2019
Churchill Contract Services (SJWMS)	31 August 2019
Compass Contract Services (UK) Ltd	31 August 2019
YBC Cleaning Services Limited	31 August 2019
Birkin Cleaning Services Limited	30 September 2019
Circle 33 Housing Ltd (Epic Trust)	31 October 2019

7. The following chart shows the Employers from whom the Fund receives monthly contributions by Employer Group. Note the KCC figures reflect the County's and schools' relationships with several payroll providers.

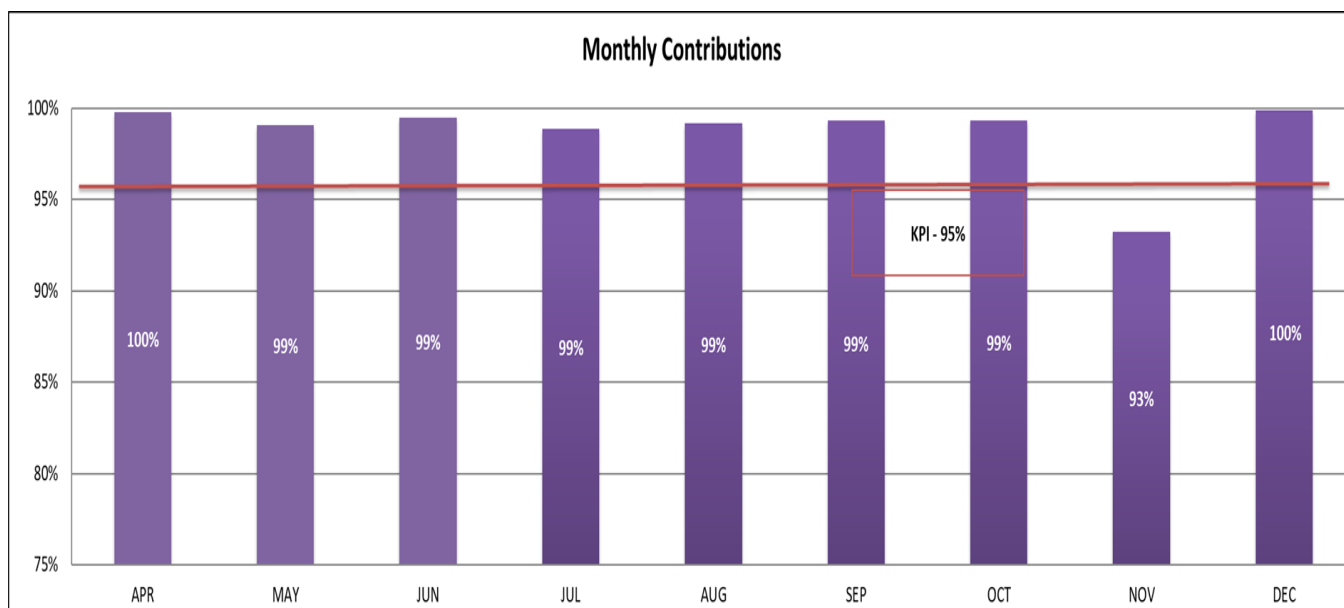


CONTRIBUTIONS FROM EMPLOYERS

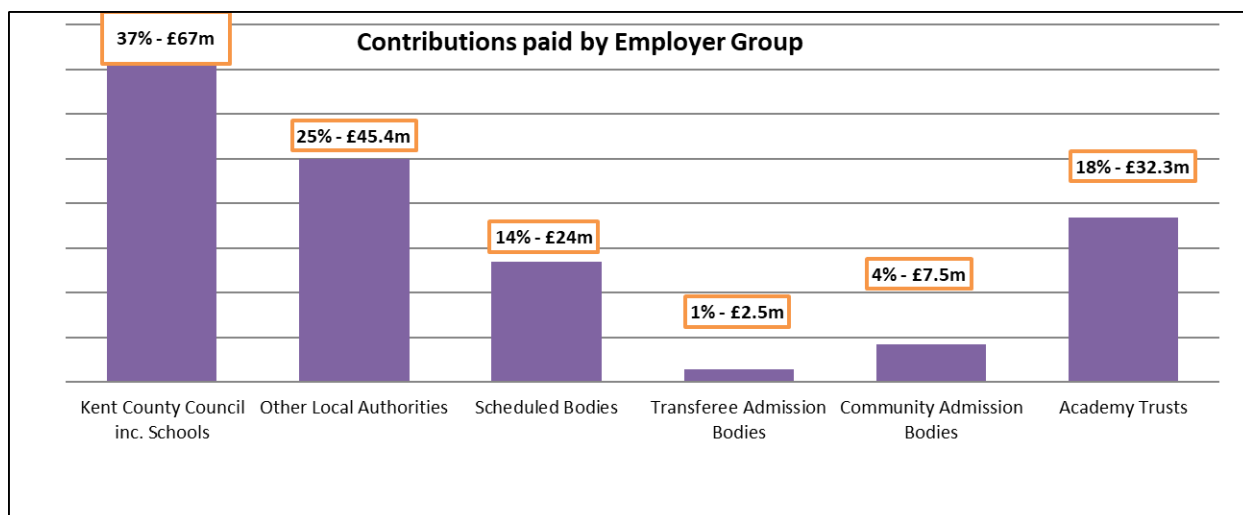
8. In the period April to December 2019 the Fund received £179m from employers in respect of their monthly contributions (employer and employee) as follows:

	Received Early	Cash on 19th	Received Late	Total
	£	£	£	£
April	10,379,146	9,614,534	49,875	20,043,555
May	11,946,710	7,666,890	190,115	19,803,715
June	12,711,002	7,416,605	107,620	20,235,227
July	11,666,419	7,860,946	228,515	19,755,880
August	13,209,586	6,267,578	163,482	19,640,646
September	11,782,559	7,789,521	139,747	19,711,827
October	12,515,457	7,292,194	136,652	19,943,303
November	11,583,924	7,085,807	1,353,591	20,023,322
December	11,435,818	8,816,867	26,232	20,278,917
Total	107,230,621	69,810,942	2,394,829	179,436,392

9. KCC monitors the timing of receipt of these contributions compared to a KPI of 95%. The following chart shows that the KPI was exceeded in 8 of the 9 months. This is due to Medway Council paying their November contributions a day late.



10. The following chart shows the proportion paid by KCC and other employers of contributions received.



31 MARCH 2019 TRIENNIAL VALUATION UPDATE

11. At their meeting on 15 November 2019 the Committee agreed the proposed actuarial assumptions following the presentation from Barnett Waddingham on the whole Fund valuation results.
12. Since then Barnett Waddingham have calculated employer results based on the revised discount rate and officers have been communicating these results to employers.
13. Barnett Waddingham presented the results at the Pension Fund employers forum on 3 December 2019 in Ashford where representatives from some 114 employers had an opportunity to ask questions. The presentation was filmed and is available for employers to view from the Kent Pension Fund website.
14. Barnett Waddingham presented at the Pensions Board on 26 February 2020 and answered questions on a number of LGPS issues.
15. Barnett Waddingham are due to sign off the final valuation report by 31 March 2020 and submit it to central government. The report will then be published on the Kent Pension Fund website. The new employer contribution rates are effective from 1 April 2020.
16. The next valuation of the Fund is currently due as at 31 March 2022 although a recent government consultation proposed moving to 4 yearly (quadrennial) valuations to fit in with other public sector schemes. We await the outcome of the consultation.

McCLOUD JUDGEMENT UPDATE

17. The Scheme Advisory Board provided an update on 15 November 2019 and this attached at appendix 1

HADLOW COLLEGE

18. Hadlow College went into Educational Administration on 22 May 2019.
19. Barnett Waddingham have prepared an indicative cessation report as at 30 June 2019 which sets out a number of different scenarios depending on the arrangements agreed for the college staff going forward. We await confirmation as to which scenario is agreed although it is understood the long-term funding scenario where a successor college or colleges take on the LGPS liabilities for the active, deferred and pensioner members is currently the preferred option.
20. The indicative cessation report will need to be updated taking account of the 31 March 2019 actuarial assumptions, final member data, updated cashflows and when the final date of cessation is known.
21. It is now proposed that the various Hadlow College campuses transfer to three successor colleges to facilitate the continued education of the students and the employment of the staff. Two of these colleges, East Kent College and North Kent College are already in the Kent Pension Fund and the third, Capel Manor College (CMC), is in the London Borough of Enfield Pension Fund.
22. BDO confirmed on 11 December 2019 that some 13 LGPS members of staff at the Hadlow College Mottingham Campus would transfer to CMC on 31 December 2019. Discussions are ongoing to ensure the continuing LGPS membership of the active staff when they transfer to CMC also taking into account the deferred and pensioner liabilities relating to the Mottingham campus. Barnett Waddingham have advised that the liabilities for the active, deferred and pensioner members should remain with the Kent Fund.
23. The Corporate Director of Finance has therefore agreed to the administrators, BDO, applying to the Secretary of State for Education for a Direction Order allowing CMC to be a Scheduled Body concurrently in the Kent Pension Fund and the London Borough of Enfield Pension Fund and this will need to have retrospective effect given the timescale involved.
24. It is now understood the transfers to East Kent College and North Kent College are scheduled for 31 March 2020.

WEST KENT AND ASHFORD COLLEGE

25. West Kent and Ashford College went into Educational Administration on 16 August 2019.
26. Barnett Waddingham have prepared an indicative cessation report as at 30 June 2019 which sets out a number of different scenarios depending on the arrangements agreed for the college staff going forward. We await confirmation as to which scenario is agreed although it is understood the long-term funding scenario where a successor college or

colleges take on the LGPS liabilities for the active, deferred and pensioner members, is currently the preferred option.

27. The indicative cessation report will need to be updated taking account of the 31 March 2019 actuarial assumptions, final member data, updated cashflows and when the final date of cessation is known.
28. At this point in time we are awaiting confirmation of the arrangements for staff at West Kent and Ashford College.

NEW ADMISSION BODIES

29. The following organisations have applied for admission to the Superannuation Fund in order to ensure the continuity of pension arrangements for staff.
30. The admission applications have been made under Schedule 2 Part 3 1(d) (i) of the LGPS Regulations 2013, as amended, and under this regulation the admitted body is required to provide a form of bond or indemnity.
31. The completed questionnaires and supporting documents provided by the applicants have been examined by Officers to ensure compliance with the LGPS Regulations, and Invicta Law have given favourable opinions.

Churchill Contract Services Ltd (re Thinking Schools Academy Trust)

32. Thinking Schools Academy Trust has awarded a 3-year contract with a possible 3-year extension for cleaning services from 1 September 2019. This involves the transfer of some 6 employees to Churchill Contract Services Ltd and a retrospective agreement will be put in place.
33. The Fund Actuary has assessed the employer contribution rate as 22.3% for a closed agreement and the bond for the first year as £12,000.

Busy Bee Cleaning Services Ltd t/a BBCS (re Stour Academy Trust)

34. Stour Academy Trust has awarded a 3-year contract with a possible 2-year extension for cleaning services from 31 March 2020. This involves the transfer of some 7 employees to Busy Bee Cleaning Services Ltd.
35. The Fund Actuary has assessed the employer contribution rate as 26.2% for a closed agreement and the bond for the first year as £26,000.

Purgo Supply Services Ltd (Re Leigh Academy Trust)

36. Leigh Academy Trust has awarded a 3-year contract with a possible 2-year extension for cleaning services from 1 August 2019. This involves the transfer of some 7 employees to Purgo Supply Services Ltd and a retrospective agreement will be put in place.

37. The Fund Actuary has assessed the employer contribution rate as 21.8% for a closed agreement and the bond for the first year as £13,000.

Independent Catering Management Ltd (Re Hillview School for Girls Academy)

38. Hillview School for Girls Academy has awarded a 3-year contract with a possible 2-year extension for catering services from 1 September 2019. This involves the transfer of some 5 employees to Independent Catering Management Ltd and a retrospective agreement will be put in place.
39. The Fund Actuary has assessed the employer contribution rate as 24.4% for a closed agreement and Bond as £52,000.

Wealden Leisure T/A Freedom Leisure Ltd

40. Ashford Borough Council has awarded a 15-year contract with a possible 5-year extension for leisure services from 1 April 2020. This involves the transfer of some 23 employees to Wealden Leisure t/a Freedom Leisure Ltd.
41. The Fund Actuary has assessed the employer contribution rate as 24.2% for a closed agreement.

AMENDMENTS TO ADMISSION AGREEMENTS

42. The following admission bodies have asked that their closed agreements be opened to allow staff transferring from other employers with existing LGPS entitlement, to remain in the scheme.

Skanska Construction (UK) Ltd

43. Skanska Construction (UK) Ltd is an admission body which joined the Kent Superannuation Fund on 1 November 2014 following a transfer of staff from Kent County Council.
44. On 21 January 2020 3 employees were transferred to Skanska from Kier Facilities Services Ltd, an admission body in the Fund.

Churchill Contract Services Ltd (Re Skanska)

45. Churchill Contract Services Ltd is an admission body which joined the Kent Superannuation Fund on 4 July 2016 following a transfer of staff from Kent County Council.
46. On 21 January 2020 some 5 employees were transferred to Churchill from Kier Facilities Services Ltd.

Pathways to Independence

47. Hope Kent Ltd is an admission body which joined the Fund on 14 November 1996.
48. On 24 January 2005 they closed their admission agreement and on 22 October 2013 they changed their name to Pathways to Independence Ltd.
49. From 15 April 2020 Pathways wish to amend the terms of their admission agreement, so it is open to those that they nominate to the administering authority in writing.

EXITING EMPLOYERS

50. The following employers are admission bodies and have become exiting employers in the Fund as the result of their last active employees leaving.
51. Cessation reports will be commissioned from the actuary now the 31 March 2019 actuarial assumptions have been finalised and it is proposed the Committee resolve to allow Officers to return a surplus, if any, in accordance with the LGPS (Amendment) Regulations 2020 and as per the actuary report.
52. **Kier Facilities Services Ltd** - on 21 January 2020 their active members were transferred to Skanska Construction (UK) Ltd and Churchill Contract Services Ltd (re Skanska).
53. **Circle care and Support Ltd** - as part of rationalising their participation in the LGPS, they have given notice to terminate their admission agreement with effect from 31 October 2019. Staff joined the Norfolk Fund on 1 November 2019 so their LGPS membership can continue.
54. **Birkin Cleaning Services Ltd** - as their commercial contract ended on 31 August 2019 they have become an exiting employer. The staff will be transferring to the new contractor which will be applying to join the Fund.
55. **YBC Cleaning Services Ltd** - as their commercial contracted ended on 31 August 2019 they have become an exiting employer. The staff will be transferring to the new contractor which will be applying to join the Fund.
56. **Compass Contract Services (UK) Ltd** - as their contract ended on 31 August 2019, they will become an exiting employer. The staff will be transferring to a new contractor which will be applying to join the Fund.

RECOMMENDATION

57. Members are asked to note the employers report, the update on the 31 March 2019 valuation, the update on McCloud and the update on Hadlow, West Kent and Ashford Colleges, and to resolve to agree:
- (a) to the admission to the Kent County Council Superannuation Fund of Churchill Contract Services Ltd (re Thinking Schools Trust),
 - (b) to the admission to the Kent County Council Superannuation Fund of Busy Bee Cleaning Services Ltd (re Stour Academy Trust);
 - (c) to the admission to the Kent County Council Superannuation Fund of Purgo Supply Services Ltd (re Leigh Academy Trust);
 - (d) to the admission to the Kent County Council Superannuation Fund of Independent Catering Management Ltd (re Hillview Schools for Girls Academy);
 - (e) to the admission to the Kent County Council Superannuation Fund of Wealden Leisure t/a Freedom Leisure;

Amendments to admission agreements

- (f) to open the Skanska Construction (UK) Ltd admission agreement for the staff transferring to them from Kier Facilities Services Ltd;
- (g) to open the Churchill Contract Services Ltd (re Skanska) admission agreement for the staff transferring to them from Kier Facilities Services Ltd;
- (h) to open the Pathways to Independence Ltd admission agreement for staff nominated to the Fund in writing;

Exiting employers

- (i) that officers may return a surplus, if any, having regard to any relevant considerations and the LGPS (Amendment) Regulations 2020 to: -

Kier Facilities Services Ltd

Circle Care and Support Ltd

Birkin Cleaning Services Ltd

YBC Cleaning Services Ltd

Compass Contract Services Ltd

- (j) that the Chairman may sign the minutes relating to recommendations (a) to (i) at the end of today's meeting; and
- (k) that once legal agreements have been prepared for these matters the Kent County Council seal can be affixed to the legal documents.

Steven Tagg
Treasury and Investments
03000 416747

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Scheme Advisory Board update on the McCloud judgement

15 November 2019

Next steps for the LGPS

We understand that the LGPS will be treated separately from the rest of the public sector in respect of the McCloud remedy.

It is likely that the remedy will involve the extension of some form of underpin to members in scope who are not currently offered protection. Therefore, a full history of part time hour changes and service break information from 1 April 2014 will be needed in order to recreate final salary service. We recommended that administering authorities make Scheme employers aware of this.

It is also likely that, in order to ensure reverse discrimination does not occur, all leavers since 2014 will need to be checked against a new underpin.

We have had discussions with GAD (in their role as an adviser to the SAB) around the mechanics of how a remedy might work in the LGPS including the range of potential issues (both retrospective and ongoing) which could arise from the application of some form of underpin to a wider membership.

We expect decisions relating to members in scope, the extent of final salary service protection, the requirement for retrospection and the inclusion of ancillary benefits (transfers, survivors etc) to be determined centrally.

We don't expect to see any remedy implemented before the end of financial year 2020/21. Therefore, issues around FRS102 and audit will once again need to be addressed.

Tax implications

We expect pension tax issues be decided centrally. We anticipate that a notional underpin may need to be taken into account in annual allowance calculations for active members going forward and that revisions to previous years' calculations for all members may be necessary.

Cost cap

We understand that cost cap calculations will be re-run once the McCloud remedy has been agreed ie McCloud costs will be fed into the cost cap calculations.

Administration issues

We do not underestimate the challenges and concerns around administration and scheme complexity. However, decisions on the scope, extent and nature of the remedy will be largely driven by the views of government lawyers. They will seek to ensure that any agreed remedy removes, as far as possible, the risk of challenge.

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By: Chairman Superannuation Fund Committee
Corporate Director of Finance

To: Superannuation Fund Committee – 13 March 2020

Subject: **FUND POSITION**

Classification: Unrestricted

Summary: To provide a summary of the Fund's asset allocation and performance

FOR DECISION

INTRODUCTION

1. The Committee is formally required to review the Fund's asset allocation at each meeting compared to its investment strategy. This report provides an update on the asset allocation and manager performance.

ASSET ALLOCATION

2. As at 31 December 2019 the fund's value was £6.6bn, an increase of £200m over the quarter and table 1 below compares the actual asset allocation at 31 December 2019 to that set out in the Fund's Investment Strategy.

Table 1 asset allocation

Asset Class	Fund		Benchmark	Over / (under) weight
	£m	%	%	%
UK Equity**	1,651	24.9	23.5	1.4
Global Equity	2,627	39.7	32	7.7
Fixed Income *	636	9.6	15	-5.4
Private Equity	131	2.0	4	-2.0
Infrastructure	50	0.8	3.5	-2.7
Property	762	11.5	13	-1.5
Absolute Return	508	7.7	8	-0.3
Cash	259	3.9	1	2.9
Total	6,623	100	100	

* £260m has been invested into Fixed Income (CQS and M&G) since 31st December using the proceeds from Woodford and internally managed cash, increasing our allocation to Fixed Income

** £139m redeemed from Woodford in January 2020 reducing our allocation to UK Equities

3. As a result of the recent activity the % invested in fixed income increased to 13.5% based on fund values as at 31 December 2019 while the % in UK equity fell to 22.8%.

4. The Investment Strategy report does not recommend any changes to the asset allocation following the recent changes and as the Committee considers the implementation of an equity downside protection programme.

INVESTMENT PERFORMANCE QUARTER TO 31 DECEMBER 2019

5. The Fund overall performed well in the December quarter achieving a return of 2.85% compared with a benchmark return of 1.66% with most managers' performances bouncing back after a disappointing September quarter.
6. The main contributors to the Fund's good performance were Baillie Gifford, Sarasin and Schroder who have achieved significant outperformance over the longer term as well.
7. The Fund saw the value of its investments managed by Harbourvest and Partners Group fall as they were impacted by the strengthening of sterling in the quarter as well costs of investing in new funds. The Fund's property holdings with the exception of Fidelity also fell reflecting the uncertainty in the market.
8. The value of the Woodford fund rose slightly in the 3 months to end December.

LONGER TERM INVESTMENT RETURNS

9. Over the longer term the Fund has performed strongly and ahead of benchmark.
10. The 1-year performance is 14.70% vs the benchmark of 12.20%. The majority of managers performed ahead of benchmark with most returns being significantly higher than for the previous 1-year term as the poor returns achieved in the December quarter 2018 fell out of the reporting period.
11. For the 3-year period the Fund's return was 8.06% pa against the benchmark of 7.31% pa.
12. The Schrodgers GAV fund continued to significantly lag the benchmark. Other underperformers include M&G Global Dividend fund as its good performance in the quarter did not offset its poor performance in earlier periods.
13. Pyrford continued to underperform across all periods and the disappointing returns remain a cause for concern.

RECOMMENDATION

14. Members are asked to note the report and agree that no changes are made to the asset allocation.

Alison Mings
Treasury and Investments Manager
Alison.mings@kent.gov.uk

FUND POSITION STATEMENT

Summary of Fund Asset Allocation and Performance

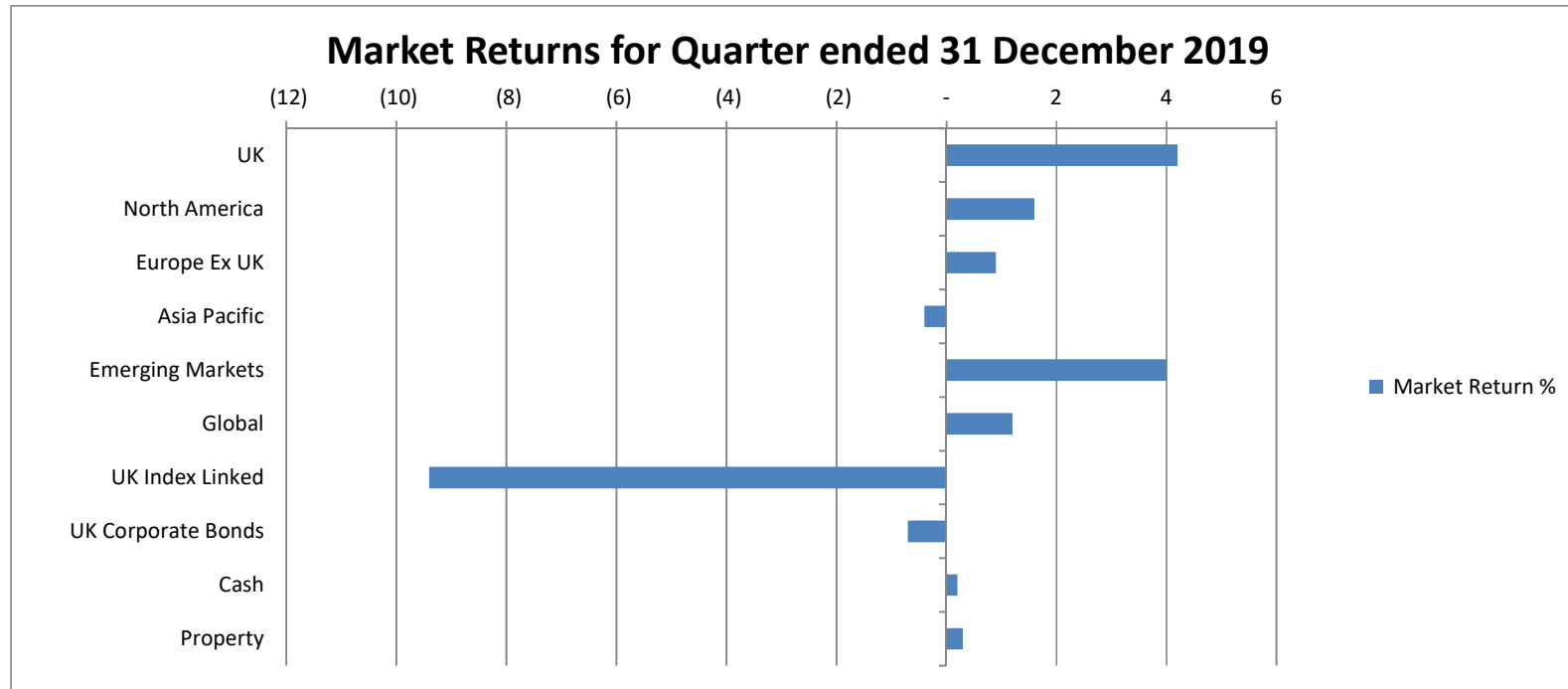
Superannuation Fund Committee

By: Chairman Superannuation Fund Committee
Corporate Director of Finance

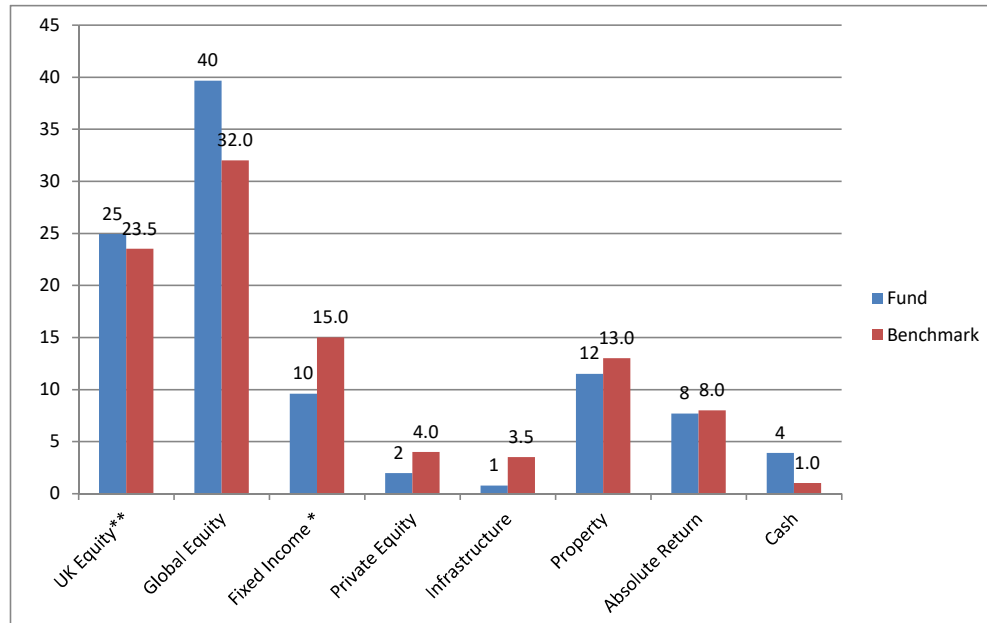


Kent County Council
Superannuation Fund Q3 2019-20
Alison Mings- Treasury and Investments
Manager

Market Returns for Quarter ended 31 December 2019



Fund Asset Allocation vs Benchmark as at 31 December 2019

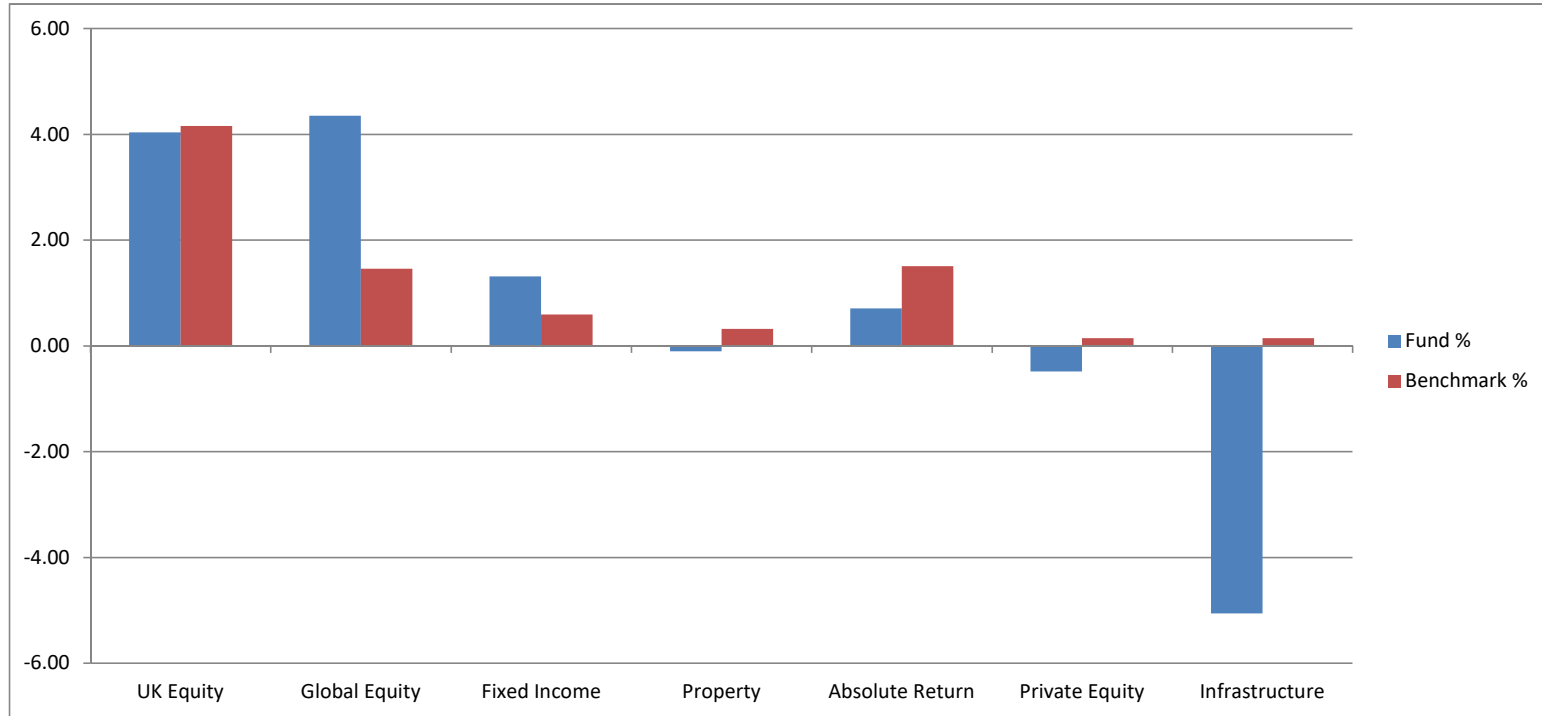


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** £139m redeemed from Woodford in January 2020 reducing our allocation to UK Equities

Fund Asset Class Performance for Quarter ending 31 December 2019



Asset Class	Fund %	Benchmark %	Outperformance %
UK Equity	4.03	4.16	-0.12
Global Equity	4.35	1.46	2.89
Fixed Income	1.31	0.59	0.72
Property	-0.10	0.32	-0.42
Absolute Return	0.71	1.50	-0.80
Private Equity	-0.48	0.15	-0.63
Infrastructure	-5.06	0.15	-5.20

Market Value Summary by Fund Manager as at 31 December 2019

Fund Mandate	Asset Class	Market Value as at 30 Sept 2019 (£m)	Market Value as at 31 Dec 2019 (£m)	Change in Market Value (£m)	% of Total Fund 31 Dec 2019
Baillie Gifford *	Global Equity	1,286	1,263	-23	19.1%
Schroders	UK Equity	1,006	1,052	46	15.9%
DTZ	Direct Property	481	475	-7	7.2%
Pyrford	Absolute Return	433	436	3	6.6%
Goldman Sachs	Fixed Interest	400	404	4	6.1%
M&G	Global Equity	374	386	13	5.8%
UBS UK	UK Equity	353	366	13	5.5%
UBS Global	Global Equity	337	340	4	5.1%
Schroders GAV	Global Equity	309	315	5	4.8%
Woodford ***	UK Equity	197	200	2	3.0%
Sarasin	Global Equity	283	294	11	4.4%
Schroders	Fixed Interest	247	252	5	3.8%
Fidelity	Pooled Property	132	133	1	2.0%
Internally managed cash **	Cash	121	229	108	3.5%
Harbourvest	Private Equity	93	91	-3	1.4%
Ruffer	Absolute Return	71	72	1	1.1%
Kames	Pooled Property	50	49	-1	0.7%
DTZ Pooled Funds	Pooled Property	48	47	-1	0.7%
Impax	Global Equity	52	54	2	0.8%
Partners	Infrastructure	54	50	-4	0.8%
YFM	Private Equity	38	40	3	0.6%
M&G Property	Pooled Property	42	58	16	0.9%
UBS Emerging Markets	Global Equity	16	16	1	0.2%
Total Kent Fund		6,423	6,623	200	100.0%

*£100m redeemed from Baillie Gifford during the quarter and held in internally managed cash

** Internally managed cash includes £80m sent to CQS Fixed Income pending allocation of units, and £80m sent to M&G Fixed Income pending allocation of units

***First redemption from Woodford of £139m received at the end of January 2020

Performance Returns as at 31 December 2019

	Quarter		1 Year		3 Year (p.a.)	
	Fund	Benchmark	Fund	Benchmark	Fund	Benchmark
Total Fund	2.85	1.66	14.70	12.20	8.06	7.31
Uk Equity						
Schroders UK Equity	4.62	3.61	20.43	18.16	7.28	6.55
UBS	4.10	4.16	19.10	19.17	--	--
Woodford	1.16	4.16	-21.76	19.17	-12.91	6.85
Global Equity						
Baillie Gifford	6.32	1.27	27.60	19.63	16.01	9.16
Sarasin	4.06	1.35	28.08	21.71	13.42	9.86
Schroders GAV	1.62	1.35	14.92	21.71	5.38	9.86
UBS Emerging Markets	3.82	4.01	15.08	15.90	--	--
UBS World Ex UK Equity	1.13	1.13	23.29	23.37	--	--
Impax	4.18	1.35	26.66	21.71	9.48	9.86
M&G	3.39	1.50	20.41	22.40	8.40	10.50
Fixed Interest						
Goldman Sachs	1.00	0.86	9.82	3.50	5.34	3.50
Schroders Fixed Interest	1.82	0.22	6.69	0.99	1.52	0.76
Property						
DTZ	-0.36	0.32	2.60	2.17	9.31	6.78
Fidelity	0.96	0.30	1.94	1.61	7.40	6.05
Kames	-0.01	0.30	0.19	1.61	7.20	6.05
M&G Property	-0.28	0.30	1.12	1.61	2.29	6.05
Private Equity						
Harbourvest	-2.79	0.15	12.83	0.58	16.26	0.40
YFM	5.15	0.15	29.13	0.58	23.48	0.40
Infrastructure						
Partners	-5.06	0.15	-2.86	0.58	8.40	0.40
Absolute Return						
Pyrford	0.67	1.50	5.59	7.21	1.77	8.05
Ruffer	0.91	1.50	8.87	7.21	--	--

Fund Manager Benchmarks and Performance Targets

Asset Class / Manager	Performance Benchmark	Performance Target
UK Equities:		
Schroders UK Equity	Customised	+1.5% pa over rolling 3 years
Woodford	FTSE All Share	Unconstrained
UBS UK Equity	FTSE All Share	Match
Global Equities:		
Baillie Gifford	Customised	+1.5% pa over rolling 3 years
Sarasin	MSCI AC World Index NDR	+2.5% over rolling 3 - 5 years
M&G	MSCI AC World Index GDR	+3% pa
Schroders GAV	MSCI AC World Index NDR	+3% - 4% pa over rolling 3 years
Impax	MSCI AC World Index NDR	+2% pa over rolling 3 years
UBS Global Equity	FTSE (Dev) World ex UK	Match
UBS Emerging Market Equities	FTSE Emerging Markets	Match
Fixed Income:		
Schroders Fixed Interest	3 months Sterling Libor	+4% pa over a full market cycle
Goldman Sachs	+3.5% Absolute	+6% Absolute
Property:		
DTZ	IPD Pension Fund Index	≥ 3 year rolling average of benchmark returns
Fidelity	IPD UK PF Property Fund Index	
Kames	IPD UK PF Property Fund Index	
M&G Property	IPD UK PF Property Fund Index	
Alternatives: (Cash / Other Assets)		
Private Equity – YFM	GBP 7 Day LIBID	
Private Equity – HarbourVest	GBP 7 Day LIBID	
Infrastructure – Partners Group	GBP 7 Day LIBID	
Absolute Return – Pyrford	Retail Price Index (RPI)	RPI + 5%
Absolute Return – Ruffer	Retail Price Index (RPI)	
Internally managed cash – KCC Treasury and Investments team	GBP 7 Day LIBID	

Fund Structure as at 31 December 2019

UK Equities	Global Equities	Fixed Interest	Property	Cash/Alternatives
Schroders +1.5% £1,052 m	Baillie Gifford +1.5% £1,263 m	Goldman Sachs +6.0% Abs. £404 m	DTZ Property £522 m	Internally managed Cash £229 m
UBS 0.0% £366 m	M&G +3.0% £386 m	Schroders +4.0% £252 m	Fidelity Property £133 m	Partners Infrastructure £50 m
Woodford £200 m	Schroders +3.0% - +4% £315 m		Kames Property £49 m	YFM Private Equity £40 m
	UBS +0.0% £357 m		M&G Property £58 m	HarbourVest Private Equity £91 m
	Impax +2.0% £54 m			Pyrford Abs. Return RPI + 5% £436 m
	Sarasin +2.5% £294 m			Ruffer Abs. Return RPI £72 m
Total Fund £6.6 bn				

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